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### BMGT 448.01: Entrepreneurship

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BMGT 448

***ENTREPRENEURSHIP: VALUE INNOVATION***

SoBA Mission Statement: The University of Montana's School of Business Administration enhances lives and benefits society by providing a world-class business education in a supportive, collegial environment.

# BMGT 448 – *Entrepreneurship: Value Innovation*

## Instructor:

Instructor: Michael R. Braun  
Office Hours: Room 357, Gallagher Business Building  
Tuesday and Wednesday, 1:30 – 3:00 PM  
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## About this Course:

**Welcome!** This is the course on entrepreneurship and value innovation. Over the span of your undergraduate business education, you are being exposed to a wide variety of disciplines (e.g. marketing, finance, management, accounting, MIS, etc.), in the process learning the tools to help you work *in* a business. This course is intended to teach you how to work *on* a business. Value innovation is at the core of entrepreneurship but it reaches beyond start-ups to any organization seeking to create, capture and deliver value. Over the next few months we will pursue answers to the followings questions: *Where does innovation come from? How is value created and captured? What is the infrastructure necessary to deliver the value to customers? And, is the enterprise financially and competitively sustainable?* To answer these questions, we will draw on recent tenets of Business Model Innovation, which draw heavily from the fields of entrepreneurship, intrapreneurship, strategy, and innovation. By extension, we will rely on ideas and skills from a variety of functional areas (e.g., accounting, operations, information systems, finance, marketing, and management) to attend to the various building blocks of our guiding framework, the Business Model Canvas. This class has multiple facets to it: readings, case studies, discussions, individual assignments and, finally, a Business Model Project (BP) development and presentation. The BP will be a team-based, semester-long project where you will be asked to disassemble and reassemble the business model of an assigned company. ***Be prepared to burn calories in this class!*** That said, also realize that this course reflects the type of real-world critical thinking and problem solving you'll encounter once you graduate.

## Course Purpose and Process:

The purpose of this course is to make you better *value innovators*. What exactly does this mean? Regrettably, common conceptualizations of entrepreneurship are often limited to just high-tech start-ups (think Facebook or Twitter). Yet, entrepreneurship comes in many different forms – in everyday lifestyle businesses in your neighborhood, in next-generation family enterprises, in corporate innovations, and even in turnaround situations of mature concerns. At the core of value innovation is a simple concept: no matter how nifty a product, how unique a service, or how groundbreaking a technology, without a sharp, well-defined and effective business model, the innovation will be, at best, short-lived and, at worst, dead out the gate. As a value innovator, you will learn to see the business not for its products and services but, dynamically, for its interdependent parts that make for an efficient and effective profit-generation machine. By the end, you should have an in-depth grasp of how to recognize, assemble, or disassemble and reassemble any business opportunity, whether you're trying to start it, fix it or supercharge it. As we progress through the semester, our aims will be for you to:

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- *Create an active and dynamic entrepreneurial mindset*
- *Recognize and capitalize on demand-driven opportunities*
- *Hone your pattern recognition abilities*
- *Enhance your problem solving skills*

To help refine these skills, one of the main deliverables in this class will be a Business Model Recommendation. The project throughout the semester, ending with the recommendation, is meant for you to “peel the layers” of a company’s business model using a variety of strategic and operational frameworks and tools. Working in teams, you will have four “mini-presentations” throughout the semester where you deliver your findings. The final Business Model Recommendation asks you to recommend a “pivot” to your company’s business model – that is, a tweak to the business model and its building blocks that can take the company to the next level (profitably!). In this way, the BP will tie together the diverse parts of the course, as well as integrate the various disciplines you have learned over your time at SoBA. Lastly, it will provide you with a ‘product’ to take with you when you enter the job market.

### **Expectations for this Course:**

**SHOW UP, BE ON TIME & COME PREPARED!** This class is based on an on-going, interactive discussion. At a minimum, you need to thoroughly read ALL assigned readings. Try to think through the main points and issues and how they play out in real-world scenarios.

I expect you TO PARTICIPATE (15% of your grade) since the class is much better served through an interchange. Your contributions should be thoughtful and inclusive of the frameworks and themes we have covered. As the course progresses, I expect your presentations to reflect the various articles, case studies, frameworks and class discussions. Included in the 15% participation grade is your contribution to your team’s development of the BMP – dropping below a specific threshold in terms of peer evaluations can erase your other contributions!

It is critical that you get familiar with the course syllabus – it will help set your expectations of the workload for the class. Keep in mind that this syllabus is a rough guide, and that changes may occur during the semester.

### **Objective of the Course:**

1. Learn how entrepreneurship and innovators create opportunities and capture the rewards of their activities (or how they might miss them).
2. Apply and integrate knowledge acquired during your career as a student to real business problems, involving analysis, solution development, and implementation.
3. Sharpen your communication skills by developing and presenting it to an audience.
4. Engage in critical thinking and problem solving.
5. Recognize the interaction between different business areas, e.g. innovation/R&D, production/operations, financing, accounting, management, and marketing.
6. Develop basic managerial skills such as leadership, decision making, and prioritizing.

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7. Perform as part of a group of peers challenged by a demanding project with severe time constraints.
8. Improve skills in achieving group effectiveness.
9. Show integrity, courtesy, reliability, and respect for others through team work.
10. Learn to teach yourself by working independently.

### **Class Materials**

1. **Business Model Generation** – Alexander Osterwalder & Yves Pigneur (Wiley: 2010)  
This practitioner book is *the* primer to in the start-up community on the art and science of business modeling. Please purchase a **paperback edition** through Amazon.com as soon as possible: new paperback editions are \$22.00, although they can be as low as \$11.00 through other vendors. Should your shipment be delayed, you can get a free preview of the first 72 pages at:  
[http://www.businessmodelgeneration.com/downloads/businessmodelgeneration\\_preview.pdf](http://www.businessmodelgeneration.com/downloads/businessmodelgeneration_preview.pdf).  
**This preview is not a substitute to getting the book! We will use later sections as well, so make sure you get the paperback edition! You're bound to use it throughout your careers.**
2. **Articles & Cases** – supplementary readings will be posted on Moodle. Please refer to syllabus for when these readings are due. PLEASE PRINT OUT AND BRING A COPY OF THE CASE ON THE DAY WE DO THE IN-CLASS CASE!
3. **Canvanizer** (**Online Business Model Canvas**) – As a supplement to *Business Model Generation* we will use a free (and pretty darn neat!) online tool called the Canvanizer. It will help your team sharpen ideas, develop the various building blocks of your business activities, refine your strategy, and, lastly, nail down how the business creates sustainable value. Once selected, I will ask each team to sign up to the Canvanizer.
4. **Podcasts** - As part of your assignments, I will ask you to listen to a few hand-selected podcasts addressing the topics and themes discussed in class. You can access these podcasts either through your smartphone or computer. In addition to being informative, I hope you will also find them inspiring.

### **Grading & Assignments:**

<i>Reading Comprehension Quizzes</i>	<b>20%</b>
<i>Mini-Business Model Plan Presentations</i>	<b>15%</b>
<i>Individual Case Assignments</i>	<b>25%</b>
<i>Class Participation (incl. peer review)</i>	<b>15%</b>
<i>Final Business Model Presentation (Oral &amp; Written)</i>	<b>25%</b>

Each of the preceding components will be discussed in greater detail as the semester progresses.

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### **Additional comments on Grading & Assignments:**

- PLEASE DO NOT USE YOUR NOTEBOOK COMPUTER DURING OUR SESSION. This is a *critical thinking* class! If you need to take notes, rely on paper and pen. The use of notebooks is distracting to your fellow students and me.
- For every day an assignment is late, the grade of the paper drops FULL LETTER GRADE, e.g. an “A” paper turned in a day late will become a “B” papers, etc.
- NO E-MAILED PAPERS. I expect hard copies to be handed in on the day the paper is due. If you cannot attend class, have someone else hand it in for you.
- TRY NOT TO MISS THE READING QUIZZES – Make-up quizzes are in essay form.
- NO EXTRA CREDIT. Do the work that is assigned.
- WEEKLY ATTENDANCE WILL BE TAKEN. If you miss MORE THAN 4 CLASSES, your participation grade goes to zero.
- YOU WILL HAVE AN OPPORTUNITY TO EVALUATE YOUR TEAM MEMBERS.
- Disability Svs for Students: [http://life.umn.edu/dss/Faculty/Syllabus\\_Statements.php](http://life.umn.edu/dss/Faculty/Syllabus_Statements.php)).
- RESPECT THE HONOR CODE. Cheating of any form will not be tolerated in this class. All work handed in is to be yours. All work handed in is to be yours. If you don’t know what “cheating” means, please refer to the University Conduct Code at: [http://www.umn.edu/vpsa/policies/student\\_conduct.php](http://www.umn.edu/vpsa/policies/student_conduct.php)

### **The Business Model Project:**

The BP affords you a unique opportunity to do an in-depth evaluation of a company from multiple perspectives (competitive, marketing, financial, etc.). In the first few weeks I will assign you into a group – this group will be your group for the remainder of the semester. I will subsequently assign you a company – this company will be your assigned company for the remainder of the semester. PLEASE RECOGNIZE THAT THE BUSINESS MODEL PROJECT IS YOUR PROJECT – THIS MEANS THAT YOU ARE DOING THE WORK! I will work alongside you, but the calories burnt on this are yours – just like in the real world. I will hand out detailed BP guidelines in a few weeks.

For those of you interested in competing in the John Ruffatto Business Startup Challenge, this course provides the foundational framework, the Business Model Canvas. The Business Startup Challenge is a unique opportunity to present your venture to angel investors, business owners, and other members of Montana’s entrepreneurial elite who can help you realize your business. Also, you can compete for prize moneys (over \$50,000 this past year). If you’re interested in the SoBA Business Plan competition, please see the eligibility requirements at <http://www.business.umn.edu/made/programs/biz.asp>.

### **Team Work:**

The business model project will be team-based with groups assigned in the second week. Once assigned, I highly recommend you take into consideration individual strengths and weaknesses: qualitative vs. quantitative; marketing – financial/accounting – technology backgrounds, availabilities throughout the semester, etc. It is critically important that you and your team members learn to manage the various requirements and deadlines of the business plan.

I understand the potential difficulties in team-based projects: some people do more work than others, some teams have better dynamics than others, etc. I recognize that at times it can be challenging and even frustrating, but in my opinion team projects capture the real-world

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complexity of getting business done. If you find that some team members simply do not contribute, PLEASE APPROACH ME AS A GROUP. I will deal with your collective complaints accordingly. Also, you will have an opportunity to fill out peer evaluation forms at the end of the semester.

## **INTRODUCTION & OPPORTUNITY IDENTIFICATION – (Week 1 & 2)**

### **Week 1:**

August 31:                   **INTRODUCTORY SESSION**

### **Week 2:**

September 5:           **What's a Business Model? What is it not?**  
Read: *Business Model Generation*, pp. 14 – 19 + p. 59 (3 core biz types)  
Read: “Why the Lean Start-up Changes Everything” S. Blank  
Read: “What is a Business Model” by A. Ovans

September 7:           **Ideas, Sources and Types of Innovations**  
*Business Model Generation*, pp. 226-231  
Read: “12 Different Ways for Companies to Innovate” M. Sawnhney et al.  
Read: “The Discipline of Innovation” P. Drucker  
Teams Assigned

## **PLUGGING INTO DEMAND & DEFINING THE VALUE PROPOSITION – (Week 3 & 4)**

### **Week 3:**

September 12:           **Blue Ocean Strategy – The Door to the Value Proposition**  
Read: “Blue Ocean Strategy: From Theory to Practice” by Kim & Mauborgne  
Read: “Margin & Volume”, J. Heuer

September 14:           Read: **Value Proposition & Customer Segments**  
*Business Model Generation*, pp. 20-25 + 127 – 133  
Read: “Know your customers’ ‘Jobs-to-be-Done’” by C. Christensen et al.  
Podcast: <http://www.npr.org/podcasts/510313/how-i-built-this>:  
**Manoj Bhargava: 5-Hour Energy**

### **Week 4:**

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September 19:        ***Reading Quiz #1***  
                              (Hand out Individual Assignment #1, due Oct. 5<sup>th</sup>)  
                              **Business Model Project Discussion + Company Assignment**

September 21:        ***CASE STUDY: ZAPPOS.COM: Bring the Shoe Store to Your Home***

## **CUSTOMER VALIDATION & SUPPORTING YOUR REVENUE (Week 5 & 6)**

### **Week 5:**

September 26:        **Market Sizing & Customer Relationships (CA&CR)**  
                              Read: *Business Model Generation*, pp. 26-29  
                              Read: “What is Your TAM, SAM and SOM?”  
                              Read: “Market Sizing Overview”

September 28:        **Revenue & Profit Patterns & Channels (LTV)**  
                              Read: *Business Model Generation*, pp. 30-33 + pp. 56 – 108  
                              Read: “The Power of Recurring Revenue”  
                              Podcast: <http://www.npr.org/podcasts/510313/how-i-built-this>  
                              **Sara Blakely: Spanx**

### **Week 6:**

October 3:             \* ***TEAM BMP Presentation #1*** \*

October 5:             **Hand in Assignment No. 1**  
                              Career Development Session

## **COSTS OF EXPLOITING THE OPPORTUNITY (Week 7 & 8)**

### **Week 7: (Midpoint)**

October 10:           ***CASE STUDY: Trader Joe’s***

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October 12:           **Key Activities**  
                          Read: *Business Model Generation*, pp. 36 – 39  
                          Read: **Workshop 11 - Strategy Implementation: Getting Your Strategic Ducks in a Row**, Braun and Latham

**Week 8:**

October 17:           **Key Resources & Key Partners & Strategic Ecosystems**  
                          Read: *Business Model Generation*, pp. 34-35  
                          Read: *Business ecosystems (chart)*  
                          Read: *Comparison of Patents, Trademarks, etc.*

October 19:           **CASE STUDY: Krispy Kreme**

**NUMBERS THAT TELL THE STORY (Week 9 & 10)**

**Week 9:**

October 24:           ***\*TEAM BMP Presentation #2\****

October 26:           ***No Class (Meet w/ Teams)***

**Week 10:**

October 31:           **Reading Quiz #2:**  
                          **Cost Structures (in the Sports Apparel Business)**  
                          Read: *Business Model Generation*, pp. 40-41; 138 - 139  
                          Read: *Customer Value-based Pricing*  
                          **(Hand out Individual Assignment #2, due November 9th)**

November 2:           **Business Model Financials (The Case of the Unidentified Industries)**  
                          Read: *Estimating breakeven sales for your small business*, by C. Ehmke  
                          Read: *The VRIO Framework: An Overview*  
                          Podcast: “The Road to Pitching a Venture Capital Firm”, by KPCB  
                          <http://www.kpcb.com/blog/the-roadmap-to-pitching-a-venture-capital-firm>  
                          **(also available on Apple Podcasts – under “Ventured”)**

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## **FINANCING THE BUSINESS MODEL (Week 11 & 12)**

### **Week 11:**

November 7:           *\*TEAM BMP Presentation #3\**

November 9:           **Hand in Individual Assignment #2**  
Speaker (TBA)

### **Week 12:**

November 14:          *Reading Quiz #3*  
*CASE STUDY: Podere Riosto – A Forchetta in the Road*

November 16:          *\*TEAM BMP Presentation #4\**

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### **Week 13:**

November 22:          **Business Model Project Support Session**

November 24:          *No Class – Happy Thanksgiving!*



## **PUTTING IT ALL TOGETHER: BUSINESS MODEL THINKING (Week 14 & 15)**

### **Week 14:**

November 28:          *Shark Tank Day!*  
<http://www.npr.org/podcasts/510313/how-i-built-this>  
Mark Cuban – *Serial Entrepreneur*



November 30:          *TEAM BMP Presentation #4*

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**Week 15:**

December 5:            ***In-class Support Session: Business Model Projects***

December 7:            ***Business Model Project Presentations 1***

December 12:          ***Business Model Project Presentations 2***  
**Wrap-up!**

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